

# **SIX-MONTHLY REPORT ON THE IMPLEMENTATION OF THE JOINT DECLARATION ON HONG KONG**

## **FOREWORD**

This is the fourth in the series of six-monthly reports on the implementation of the Sino-British Joint Declaration on Hong Kong, which the Government has undertaken to present to Parliament. It covers the period from 1 July to 31 December 1998.

As this report shows, eighteen months after the handover, our judgement remains that 'One Country, Two Systems' is working well, and that the Joint Declaration is being properly upheld. Respect for human rights and the rule of law remain strong characteristics of the Hong Kong system. The HKSAR Government continue to act with autonomy in key areas such as the economy.

The report also makes clear the United Kingdom's continuing practical and moral commitment to Hong Kong. In the period in question, we have supported Hong Kong's interests across a wide range of issues, from the international financial system to visa-free access and refugee resettlement.

In the period in question, the Joint Liaison Group (JLG) has held two Plenary sessions: in September and December 1998. The talks were wide ranging and conducted in a friendly manner. The JLG has developed into a forum in which the two sides can exchange views on matters relating to Hong Kong and the implementation of the Joint Declaration. The JLG has made an important contribution to the growing cooperation and mature dialogue between Britain and China marked by the visit of the British Prime Minister in October.

During that visit, the Prime Minister restated our commitment to Hong Kong in the clearest terms. We are determined to build on this firm foundation in 1999.

[signed Robin Cook]

Secretary of State for Foreign and Commonwealth Affairs

February 1999

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In the foreword to the last six-monthly report, published on 21 July 1998, the Secretary of State noted that Britain, China and Hong Kong could be broadly satisfied with what had been achieved in Hong Kong since the handover. That assessment still holds. In the second six months of 1998, Hong Kong has continued to enjoy the high degree of autonomy set out in the Joint Declaration and the Basic Law. It has also faced a number of testing challenges, particularly in the economic and financial spheres, and has had to cope with the impact of a sharp decline in asset prices and economic activity.

The United Kingdom has followed developments closely, and continued to develop its relations with the HKSAR, in a way that builds on our rich network of existing links and connections, but which also looks to the future. The Prime Minister's visit to Hong Kong in October set the seal on this new relationship. He made clear our stake in Hong Kong's continuing success, and our determination to take a close and constructive interest in all aspects of Hong Kong's development.

During his visit to Beijing in October, the Prime Minister was encouraged by the Chinese leadership's commitment to the 'One Country, Two Systems' concept and to Hong Kong's high degree of autonomy. As we have consistently said, respect for the principles and values enshrined in the Joint Declaration is vital for the maintenance of Hong Kong's distinct way of life, on which its success is based.

The practical evidence is that in all important respects the provisions of the Joint Declaration have been carefully observed since the handover; and that the HKSAR Government have been allowed to exercise the autonomy guaranteed to them in the Joint Declaration and the Basic Law. This is not to say that the period in question has been uncontroversial. On the contrary, there has been a robust and healthy debate within the community about many issues, and a number of policy decisions by the HKSAR Government have been questioned or criticised by sections of opinion in Hong Kong. This is natural, especially in times of economic difficulty and readjustment. It is also a measure of the vigour with which freedom of expression is exercised in Hong Kong.

The dispute between the HKSAR Government and the Legislative Council over the latter's Rules of Procedures (equivalent to Standing Orders) is one manifestation of the current difficult relationship between the executive and the legislature, about which concern has been expressed in Hong Kong. It is to be hoped that, while preserving the principle of executive-led government, structures and conventions can evolve which enable the executive and legislature to work together more effectively, thereby facilitating the smooth functioning of government and implementation of policies.

The HKSAR Government has exercised a high degree of autonomy in the economic and financial spheres. In August, it took the decision to intervene in the stock market in order to deter market manipulation and defend the fixed exchange rate. The UK was the first country to express, in unambiguously supportive terms, its understanding for the measures taken. We subsequently welcomed further steps announced to stabilise interest rates and enhance the transparency of the currency board system. The British Government recognises that Hong Kong is going through a period of painful economic readjustment. But we are confident that Hong Kong has the resilience and the adaptability to cope with these pressures and to make the necessary changes and readjustments. We believe that Hong Kong will rise to the challenge of identifying new capabilities and strengths, while holding true to the values that have contributed to its past

success, notably the tradition of a free and open market, the level playing field for business and respect for the rule of law.

In this connection, we particularly welcome the assurances from the Hong Kong authorities regarding their continuing respect for the rule of law and the need for an independent, professional and competent judiciary.

There have again been a number of controversies in the legal sphere. As well as continuing interest in the Adaptation of Laws Ordinance and the ongoing prosecutions involving the Sing Tao Group and NCNA (background was set out in Cm4109), there was considerable public debate about the interface between the Hong Kong and mainland legal systems, including arrangements for the rendition of fugitive offenders between the two jurisdictions. Public interest in these issues focussed in particular on the arrest, trial and execution in Guangzhou for organised crime of a Hong Kong resident, Cheung Tze-keung and some of his associates. A second case related to the arrest and investigation by the Chinese authorities of a mainland resident, Li Yuhui, who was alleged to have committed murders in Hong Kong. There was criticism that the Hong Kong authorities had failed to press for jurisdiction over these cases with the Chinese authorities and that this undermined Hong Kong's legal and judicial independence. The HKSAR Government argued that, in both cases, the mainland courts had exercised their jurisdiction under the relevant provisions of the Chinese Criminal Code, without prejudice to the Basic Law.

HMG is not in a position to comment authoritatively on these cases, which involved the application of Chinese law by the Chinese courts. We do, however, recognise the concern from across the community in Hong Kong about the absence of formal arrangements with the mainland authorities for the rendition of fugitive offenders, and the uncertainties this creates. These are uncertainties felt not only in Hong Kong but by others in the international community. We note that the HKSAR Government is actively considering how to take forward discussions with the mainland authorities on this.

The British Government continues to follow closely the human rights situation in Hong Kong. Our basic assessment across the range of issues is positive. We believe that Hong Kong remains a model of good human rights practice in Asia. We naturally welcome commitments from the HKSAR Government to uphold this.

Following a public consultation exercise begun in March, the HKSAR Government announced that it would draft reports for submission to the United Nations under the International Covenant on Civil and Political Rights (ICCPR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR). These reports would be forwarded to the Chinese Ministry of Foreign Affairs for onward transmission. The British Government welcomes the fact that the report under the ICCPR has now been submitted to the UN by the Chinese authorities. We also welcome the commitment by the HKSAR Government to submit the report under the ICESCR soon.

In September, the Director of Broadcasting published comprehensive production guidelines, which codify editorial practices within Radio Television Hong Kong (RTHK) (see Cm 4019 for background). As well as covering areas such as programme standards and respect for privacy, these guidelines enshrine the editorial independence and accountability of the station. Media freedom remains an essential element in preserving and developing Hong Kong's way of life.

The freedom to demonstrate also remained an important issue. We noted reports in Hong Kong that Police Guidelines had been introduced covering the handling of public demonstrations and meetings. At the same time Hong Kong people have continued to exercise their right to peaceful

demonstration. In December, concerns were expressed in some quarters, after the police objected to a proposal for a demonstration by workers in the recycling industry. Following discussions between the two sides, the demonstration went ahead with modifications to the proposed route and scale. We have noted that the SARG did not during this period refuse permission for the registration of any societies under the Societies Ordinance

Other issues of public debate on human rights included legislation on issues such as sedition and subversion, under Article 23 of the Basic Law, which the HKSAR Government has ruled out before the next LegCo elections in 2000; and a growing debate on the question of racial and sexual discrimination in Hong Kong. The three labour-related Ordinances repealed in July 1997 (see Cm 3831 for background) also returned to the public eye after the International Labour Organisation (ILO) upheld the main points of a petition by the Hong Kong Confederation of Trades Unions, arguing that the HKSAR Government's actions had contravened international labour conventions. The HKSAR Government however disputed the ILO's interpretation.

Another important issue during this period was reform of the system of local government, and the HKSAR Government's proposal to abolish the two Municipal Councils, establish District Councils to replace the provisional District Boards, and establish a Bureau covering food and environmental hygiene matters. The British Government notes the consensus that reform was needed, but recognises that some people in Hong Kong are dissatisfied with the re-organisation process, especially in relation to centralisation and the reduction in democratic accountability.

The Joint Liaison Group held two Plenary sessions during the period in question. The 43rd Plenary meeting took place in Hong Kong from 15-16 September; the 44th Plenary meeting was held in Beijing from 8-9 December. Both meetings covered the full range of Hong Kong and Joint Declaration related issues and were conducted in a mature and constructive atmosphere. The Joint Liaison Group has successfully evolved into a forum in which the two sides can consult and exchange views on relevant matters and in which the British Government can demonstrate its continuing interest in developments in Hong Kong and in the implementation of the Joint Declaration.

The British Government considers that, in the face of a number of difficult economic, social and political challenges, the HKSAR Government has continued to work within the framework of 'One Country, Two Systems' to ensure that Hong Kong's high degree of autonomy is preserved and that the unique values of the Hong Kong system are not eroded.

For our part, we will continue actively to support Hong Kong's right to run its own affairs, within the framework of the Joint Declaration. We will do that not only through these reports, but through practical actions. For example we continue to support the case for reform of the international financial system to address the worries of markets like Hong Kong, which are concerned at the effects of large scale speculative flows of capital. We have continued to help Hong Kong resolve its problem of Vietnamese refugees, including by accepting 121 refugees for settlement in the UK since the handover. This is significantly more than any other country in this period. And we have actively supported the HKSAR Government's wish to secure visa-free access for HKSAR passport holders, including in the European Union. All of this demonstrates that as our relations with China continue to develop, Britain remains a true friend of Hong Kong.